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Chapter 11 Trustee

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION

In re
COLDWATER DEVELOPMENT, LLC,
A California limited liability company,

Debtor.

In re
LYDDA LUD, LLC, a California limited liability
company,

Debtor.

- ☒ Affects both Debtors.
☐ Affects Coldwater Development LLC only.
☐ Affects Lydda Lud, LLC only.

Debtors.

Case No. 2:21-bk-10335-BB

Chapter 11

Jointly Administered with
Case No. 2:21-bk-10336-BB

**CHAPTER 11 TRUSTEE'S MOTION TO
CONVERT CASES TO CHAPTER 7
CASES; DECLARATION OF SAM S.
LESLIE IN SUPPORT THEREOF**

Hearing:

Date: March 2, 2022

Time: 10:00 a.m.

Place: Courtroom 1539

Edward R. Roybal Federal Building
255 E. Temple Street
Los Angeles, CA 90012

1 **TO THE HONORABLE SHERI BLUEBOND, UNITED STATES BANKRUPTCY JUDGE,**
2 **THE DEBTORS AND THEIR COUNSEL, CREDITORS, THE OFFICE OF THE UNITED**
3 **STATES TRUSTEE, AND ALL OTHER INTERESTED PARTIES:**

4 Sam S. Leslie, the duly appointed and acting Chapter 11 Trustee (the “Trustee”) of the
5 bankruptcy estates (“Estates”) of Coldwater Development, LLC (“Coldwater Debtor”) and Lydda
6 Lud, LLC (“Lydda Debtor”) (collectively, the “Debtors”), hereby moves (the “Motion”) this Court
7 for entry of an order converting this case to a chapter 7 case, pursuant to Section 1112(b)(1) of 11
8 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”).

9 The basis of the Motion is that the Debtors’ sole assets are six (6) highly prized, vacant,
10 residential estate lots, totaling approximately 65.63 acres located in the Santa Monica Mountains
11 above Beverly Hills, California (the “Property”). More specifically, the Coldwater Debtor owns two
12 (2) lots identified by Assessor’s Parcel Number 4387-021-018 and 4387-021-019, and the Lydda
13 Debtor owns four (4) lots identified as Assessor’s Parcel Number 4387-022-001, 4387-022-002,
14 4387-020-001, 4387-020-009. The Trustee is in the process of listing the Property for sale to
15 liquidate it for the benefit of the Estate and creditors. The Trustee believes this is a liquidating case,
16 and that and there is no possibility of a reorganization. The Trustee believes that it is in the best
17 interest of creditors to convert this case to one under chapter 7 of the Bankruptcy Code in order to
18 avoid the additional administrative expenses inherent in a chapter 11 case, and for the order
19 converting the case to provide that the professionals employed by the Trustee (including BG Law
20 LLP, LEA Accountancy LLP, ThreeSixty Advisors and Tranzon) remain employed by the chapter 7
21 estate without further order of Court.

22 **MEMORANDUM OF POINTS AND AUTHORITIES**

23 **I. RELEVANT BACKGROUND**

24 On January 15, 2021 (the “Petition Date”), the Debtors filed their voluntary petitions under
25 Chapter 11 of title 11 of the Bankruptcy Code (the “Cases”). The Cases are jointly administered
26 pursuant to this Court’s Order entered January 21, 2021 in the Cases.

27 The Debtors collectively own six (6) highly prized, vacant, residential estate lots, totaling
28 approximately 65.63 acres located in the Santa Monica Mountains above Beverly Hills, California

(the “Property”). More specifically, the Coldwater Debtor owns two (2) lots identified by Assessor’s Parcel Number 4387-021-018 and 4387-021-019, and the Lydda Debtor owns four (4) lots identified as Assessor’s Parcel Number 4387-022-001, 4387-022-002, 4387-020-001, 4387-020-009.

On December 7, 2021, the Office of the United States Trustee (“OUST”) filed its Application to Appoint a Chapter 11 Trustee in the Cases [Doc. 191], pursuant to which the OUST sought the immediate appointment of a Chapter 11 Trustee. Thereafter, this Court granted the OUST Application and appointed the Trustee in the Cases. On December 7, 2021, the OUST filed its Notice of Appointment of Chapter 11 Trustee [Doc. 193], and pursuant to Court order entered December 7, 2021 [Doc. 195], Sam S. Leslie was appointed Chapter 11 Trustee and continues to serve in that capacity in the Cases.

Prior to the Trustee’s appointment, the Debtors marketed the Property to several parties both pre- and postpetition. Since his appointment, the Trustee has spent considerable time and effort in a short period of time investigating the Property and its purported secured debt to determine whether the Property may be liquidated for the benefit of these Estates. The Trustee has filed an application to employ an auctioneer to begin the marketing and auction process with regard to the Property.

The Trustee has determined that reorganization is not likely in this case, given that the Trustee intends to sell the Debtors’ main asset. Thus, the Trustee has determined that is appropriate and in the best interest of creditors to convert this case to a chapter 7 case.

II. LEGAL ARGUMENT

Pursuant to 11 U.S.C. 1112(b)(1):

Except as provided in paragraph (2) of this subsection, subsection (c) of this section, and section 1104 (a)(3), on request of a party in interest, and after notice and a hearing, absent unusual circumstances specifically identified by the court that establish that the requested conversion or dismissal is not in the best interests of creditors and the estate, the court shall convert the case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of creditors and the estate, if movant establishes cause.

The Trustee is a “party in interest” with standing to seek conversion. 11 U.S.C. § 1109(b). The Trustee respectfully contends that cause exists in that the Debtors’ primary asset will be liquidated, there is no possibility of a reorganization, and it is more cost efficient to liquidate in a

chapter 7 versus a chapter 11. Accordingly, the cases should be converted to maximize value for these estates.

III. CONCLUSION

Based on the foregoing, the Trustee respectfully requests that the Court enter an order granting this Motion, and:

1. Converting the Debtors' cases to Chapter 7;
2. Providing that the professionals employed by the Trustee (including BG Law LLP, LEA Accountancy LLP, ThreeSixty Advisors and Tranzon) remain employed by the chapter 7 estate upon conversion without further order of Court; and
3. Granting to the Trustee such other and further relief that the Court deems just and proper.

DATED: February 9, 2022

BG LAW LLP

By: /s/ Jessica L. Bagdanov

David Seror
Jessica L. Bagdanov
Attorneys for Sam Leslie, Chapter 11 Trustee

DECLARATION OF SAM S. LESLIE

I, Sam S. Leslie, declare:

1. I am the duly appointed and acting chapter 11 trustee for the bankruptcy estates of Coldwater Development, LLC and Lydda Lud, LLC. I have personal knowledge of the facts contained in this declaration, and if called as a witness, I would and could competently testify thereto under oath.

2. I make this declaration in support of my motion to convert these cases to chapter 7 cases. All initial capitalized terms used but not defined herein have the meanings ascribed to them in the motion.

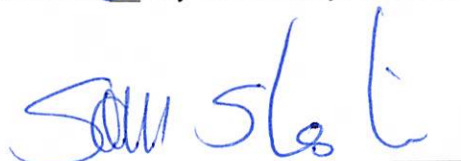
3. The Debtors collectively own six (6) highly prized, vacant, residential estate lots, totaling approximately 65.63 acres located in the Santa Monica Mountains above Beverly Hills, California (the "Property"). More specifically, the Coldwater Debtor owns two (2) lots identified by Assessor's Parcel Number 4387-021-018 and 4387-021-019, and the Lydda Debtor owns four (4) lots identified as Assessor's Parcel Number 4387-022-001, 4387-022-002, 4387-020-001, 4387-020-009. The Property is the Debtors' primary asset.

4. I have spent considerable time and effort (in a short period of time) investigating the best way to maximize value for these estates by sale of the Property, and have filed an application to employ an auctioneer to begin the marketing and auction process with regard to the Property.

5. I have determined that a reorganization is not possible in this case. Therefore, I am in the process of listing the Property for sale to liquidate it for the benefit of the Estate and creditors. I believe that an auction sale is the best way to maximize value in this case for creditors.

6. Given that the Debtors' primary asset will be liquidated, I have determined that is appropriate and in the best interest of creditors to convert this case to a chapter 7 case.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 9th day of February, 2022, at Palm Springs, California.


Sam S. Leslie

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:
21650 Oxnard Street, Suite 500, Woodland Hills, CA 91367.

A true and correct copy of the foregoing document entitled: **CHAPTER 11 TRUSTEE'S MOTION TO CONVERT CASES TO CHAPTER 7 CASES; DECLARATION OF SAM S. LESLIE IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **February 9, 2022**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Eryk R Escobar eryl.r.escobar@usdoj.gov
- M Douglas Flahaut flahaut.douglas@arentfox.com
- Eric J Fromme efromme@tocounsel.com, stena@tocounsel.com
- Asa S Hami ahami@sulmeyerlaw.com, pdillamar@sulmeyerlaw.com;pdillamar@ecf.inforuptcy.com; cblair@sulmeyerlaw.com;ahami@ecf.inforuptcy.com
- Christopher J Harney charney@tocounsel.com, stena@tocounsel.com
- Sam S Leslie (TR) sleslie@trusteeleslie.com, trustee@trusteeleslie.com;C195@ecfcbis.com
- Daniel A Lev dlev@sulmeyerlaw.com, ccaldwell@sulmeyerlaw.com;dlev@ecf.inforuptcy.com
- William N Lobel wlobel@tocounsel.com, jokeefe@tocounsel.com;sschuster@tocounsel.com
- Aram Ordubegian ordubegian.aram@arentfox.com
- Ronald N Richards ron@ronaldrichards.com, morani@ronaldrichards.com
- David Seror dseror@bg.law, ecf@bg.law
- Annie Y Stoops annie.stoops@arentfox.com, yvonne.li@arentfox.com
- United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov
- Dylan J Yamamoto dylan.yamamoto@arentfox.com
- Robert M Yaspan court@yaspanlaw.com, tmenachian@yaspanlaw.com

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL: On _____, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

****JUDGE'S COPY UNDER 25 PAGES IS SUSPENDED (GENERAL ORDER 21-05).**

Honorable Sheri Bluebond
United States Bankruptcy Court
255 East Temple Street, Suite 1534
Los Angeles, CA 90012-3332

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on _____, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

February 9, 2022
Date

Mela Galvan
Printed Name

/s/ Mela Galvan
Signature